PROVINCE OF SASKATCHEWAN

# 09-10

MINISTRY OF FINANCE

# MINISTRY PLAN FOR 2009-10

## Statement from the Minister

On November 7, 2007, the people of Saskatchewan voted for change and entrusted a new government with responsibility for delivering on the promise of Saskatchewan and serving the people of our great province.

I accepted the responsibility for helping to deliver on our Government's plan for Securing the Future. I present to you, within these pages, my Ministry's Plan for 2009-10. The Ministry of Finance, as a central agency, provides advice and a corporate perspective on the results of government decisions to a wide range of stakeholders. As such, this Plan extends beyond the Ministry of Finance with key actions and measures of the Government to enhance the fiscal strength of the Province. In this Plan we identify how the Ministry of Finance aligns with Government's vision for a secure and prosperous Saskatchewan, leading the country in economic and population growth, while providing opportunity for a high quality of life for all.

The 2009-10 Budget enables a number of important initiatives and delivers on our promises. I will report on this Plan and my Mandate Letter commitments in the Ministry's annual report.

*The Honourable Rod Gantefoer*
*Minister of Finance*

## Mission Statement

Provide expert economic, financial and fiscal policy advice and professional services in the management and control of the government's revenues, expenditures and financial assets and liabilities.

## Response to Government Direction

Ministry Plans for 2009-10 align with Government's vision and goals and the key priorities for 2009-10, as presented in the Government Direction for 2009-10. The 2009-10 Plan communicates a high-level framework for the Ministry's activities over the coming year and reflects the Ministry's primary areas of focus. Together, all ministries support Government's three goals, working towards a secure and prosperous Saskatchewan.

# Strategies and Actions

## Government Goal – Economic Growth

Sustain **Economic Growth** for the benefit of Saskatchewan people, ensuring the economy is ready for growth and positioning Saskatchewan to meet the challenges of economic and population growth and development.

| Strategy | Key 2009-10 Actions |
|---|---|
| **Support government's priorities through a sound financial plan** | • Review provincial tax policies to ensure the tax system is fair, adequate, and competitive.<br>• Support the Province in the negotiation and approval of major intergovernmental fiscal transfers.<br>• Examine expenditures to ensure they align with government's priorities and that programs are economical, efficient, and effective.<br>• Issue timely economic and fiscal forecasts, reports and analysis, as part of the annual planning, budget, and accountability processes.<br>• Optimize revenue to the province through fair policies and systems to ensure greater voluntary payment of and compliance with taxes owing to the province.<br>• Seek feedback on public and stakeholder priorities prior to budget development. |

## Government Goal – Security

**Secure** Saskatchewan as a safe place to live and raise a family where people are confident in their future, ensuring the people of Saskatchewan benefit from the growing economy.

| Strategy | Key 2009-10 Actions |
|---|---|
| **Assess Saskatchewan's tax system to ensure it is competitive and attracts and retains businesses, families, and individuals** | • Review Saskatchewan's competitiveness respecting personal and business taxes, including working with Enterprise Saskatchewan on future tax policy endeavours in relation to taxpayer incidence and competitiveness.<br>• Monitor internal and external pressures on the whole provincial tax system and analyze the effects those pressures may have on the fairness, competitiveness, and sustainability of the tax system. |

## Government Goal – Promises

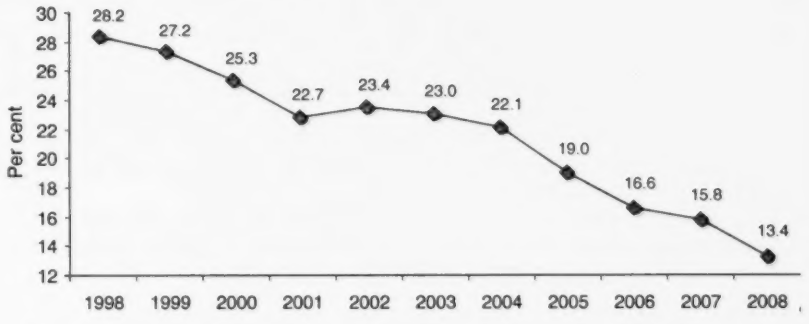
Keep Government's **Promises** and fulfill the commitments of the election, operating with integrity and transparency, accountable to the people of Saskatchewan.

| Strategy | Key 2009-10 Actions |
|---|---|
| **Ensure a sound financial management framework is in place across government** | • Ensure government-wide financial management and accounting policies and procedures are current in accordance with Public Sector Accounting Board pronouncements.<br>• Develop and deliver financial management fundamentals training for managers and employees to build financial management capacity in the public service.<br>• Assess the internal controls of the Government's financial systems and assist in the development and implementation of improvements where required.<br>• Ensure legislated spending limits of the Government are not exceeded. |
| **Manage government debt in an efficient and cost-effective manner** | • Monitor domestic and international capital markets to identify and take advantage of opportunities to raise capital to meet government and Crown requirements.<br>• Implement the issue and redemption of annual Saskatchewan Savings Bonds.<br>• Service outstanding debt ensuring the timely and accurate payment of interest and principal.<br>• Meet reporting requirements of international regulatory agencies through timely development and filing of financial disclosure documents.<br>• As directed by Treasury Board, implement the transfer of budget surplus funds in accordance with *The Growth and Financial Security Act*.<br>• Maximize the return on investment of sinking fund and Growth Financial Security Fund monies through sound investment decisions carried out pursuant to the investment policy guidelines of the two funds.<br>• Provide cash management services for the General Revenue Fund (GRF), Crown corporations, and other government agencies.<br>• Maintain good working relationships with credit rating agencies to ensure accurate information is utilized in the analysis of the Province's credit worthiness. |
| **Provide excellent service to stakeholders** | • Make on-going improvements to the Saskatchewan Electronic Tax Services (SETS) to satisfy our clients' needs for fast, efficient and user-friendly electronic reporting and remitting of provincial commodity tax returns. In addition, Finance will promote the use of electronic filing options to raise public awareness and to reduce the cost of program administration.<br>• Provide quality service to pension and benefit plan supervisory boards, and plan members.<br>• As part of the new Taxpayer Service Commitments and Standards Code, continue to encourage open communication with various client groups to address problems, issues, and identify solutions within the tax system. |

| Strategy | Key 2009-10 Actions |
|---|---|
| **Demonstrate leadership for good governance, transparency, and accountability across government** | • Ensure T*he Growth and Financial Security Act* requirements are met by:<br>~ providing decision-makers with revenue and expenditure projections on a timely basis;<br>~ reviewing programs and expenditures; and,<br>~ monitoring the size of the public service.<br>• In conjunction with Executive Council, build capacity in ministries to work within government's renewed accountability model; promoting performance measurement and improving public performance reporting.<br>• Provide information on Government's current financial position by issuing timely quarterly financial reports to the public.<br>• Prepare timely, reliable, and relevant General Revenue Fund and Summary financial statements.<br>• Provide input into the activities of Canadian and international accounting standard setting bodies.<br>• Work with ministries and the federal government to develop fair and effective federal-provincial agreements that address common interests.<br>• Provide analysis and advice on public sector bargaining issues and compensation strategies. |
| **Explore taxation agreements that mutually benefit First Nations and the Province** | • Explore taxation agreements with interested First Nations that mutually benefit First Nations and the Province.<br>• Implement a pilot project with a small number of on-reserve stores to enable real-time reporting of tax-free fuel and tobacco sales made to status Indians. |

# Performance Measures

*The Ministry of Finance has provided two broad categories of performance measures in its plan. The first set is a select group of government-wide indicators that relate to the overall health of the economy. The second set is a grouping of ministry-specific measures.*

| Measure | Baseline / Trend Line Information |
|---|---|
| **Government Debt and Guaranteed Debt as a Percentage of Gross Domestic Product (Debt-to-GDP Ratio)** |  |



Source: Saskatchewan Public Accounts and Saskatchewan Provincial Economic Accounts

**Significance of the Measure**

This measure is of interest internally, to the Ministry of Finance and to Government, as well as externally, to investors and credit rating agencies. A decreasing ratio indicates a declining drain on economic resources to service and repay debt and an associated increase in the fiscal flexibility of the province.

This ratio is calculated by dividing nominal GDP for the previous calendar year by the level of government debt at March 31. At March 31, 2008, the government debt-to-GDP ratio was 13.4 per cent, a drop of 2.4 percentage points from the March 31, 2007 level of 15.8 per cent. This is the lowest debt-to-GDP ratio since March 31, 1986.

| Measure | Baseline / Trend Line Information |
|---|---|

**Government Credit Ratings**

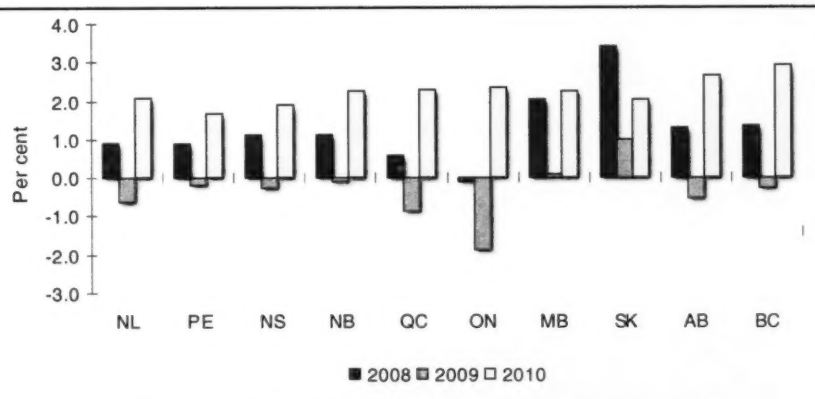
| | | | |
|---|---|---|---|
| British Columbia | Aaa | AAA | AA(high) |
| Alberta | Aaa | AAA | AAA |
| Saskatchewan | Aa1 | AA+ | AA(low) |
| Manitoba | Aa1 | AA | A(high) |
| Ontario | Aa1 | AA | AA |
| Quebec | Aa2 | A+ | A(high) |
| New Brunswick | Aa1 | AA- | A(high) |
| Nova Scotia | Aa2 | A+ | A |
| Prince Edward Island | Aa2 | A | A(low) |
| Newfoundland and Labrador | Aa2 | A | A |
| Canada | Aaa | AAA | AAA |

**Significance of the Measure**

A credit rating is an independent evaluation by a recognized, objective, agency of a borrower's willingness and ability to service and repay debt. This measure is of interest to the Ministry of Finance and to Government, as well as to investors. Investors rely on credit ratings when making investment decisions. Many investors have guidelines that are based on credit ratings (e.g., must purchase bonds rated "AA" or higher). Therefore, a borrower's credit rating will impact the availability of credit, both in terms of the number of investors and the pool of funds it can tap.

Saskatchewan's credit rating ranks well when compared to other Canadian provinces. All credit rating agencies now rate the province at the "AA" level. This is extremely important to international investors, many of whom have a "AA" credit rating requirement for investment.

**Private sector forecasts of real GDP growth**




Source: IHS Global Insight, Conference Board of Canada, Centre for Spatial Economics and all of the major Canadian banks.

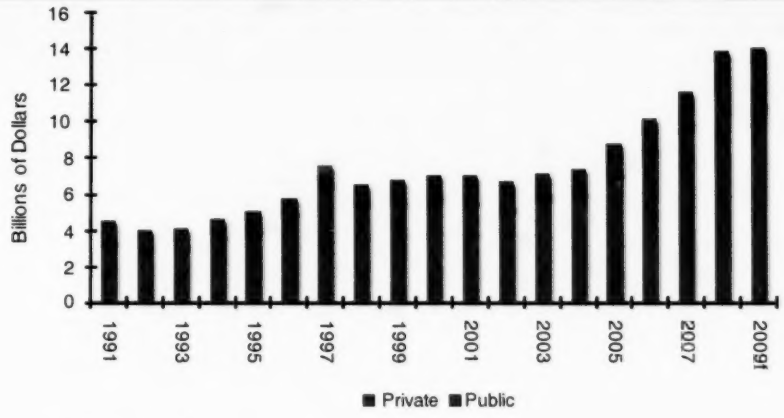
**Significance of the Measure**

This measure is of interest internally, to the Ministry of Finance and to Government, as well as externally. Private sector forecasts of real GDP growth show how the private sector expects the Saskatchewan economy to perform relative to other provincial economies.

Percentages considered here are the average of private sector forecasts. Despite the current global economic slowdown, the average of private sector forecasts projects Saskatchewan to lead the nation in terms of real GDP growth in both 2008 and 2009.

| Measure | Baseline / Trend Line Information |
|---|---|

**Total Capital Investment in Saskatchewan (public and private investment)**



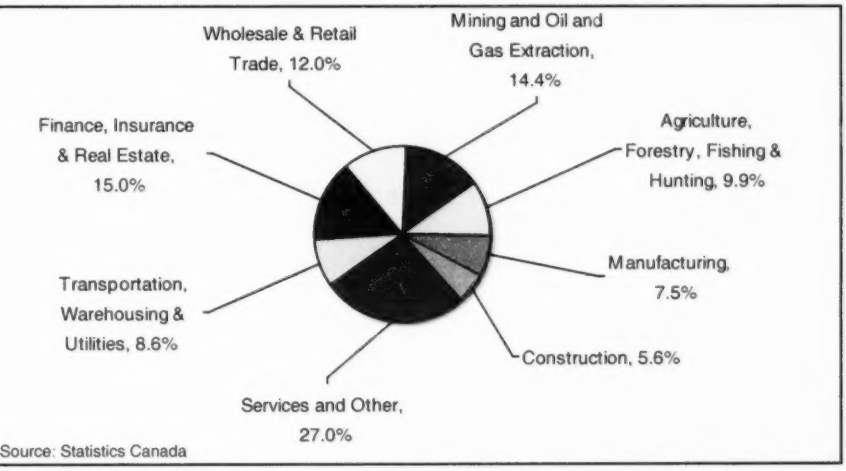

Source: Statistics Canada

**Significance of the Measure**

This measure is of interest internally, to the Ministry of Finance and to Government, as well as externally. Capital spending in the province demonstrates confidence in Saskatchewan as a place to invest and helps to provide for future economic growth.

The data comes from Statistics Canada's Private and Public Investment Intentions Survey, which is an annual survey that collects data on the intentions for capital investment and the expenditures for the previous two years and the next year. Total capital investment in Saskatchewan increased by 19.8 per cent in 2008, the highest growth among provinces and almost four times higher than the Canadian level of 5.2 per cent. Saskatchewan's total capital investment in 2009 is expected to grow by 1.0 per cent to $14.2 billion, one of only three provinces to have positive growth.

**Real GDP by Industry, 2007**


Wholesale & Retail Trade, 12.0%
Mining and Oil and Gas Extraction, 14.4%
Finance, Insurance & Real Estate, 15.0%
Agriculture, Forestry, Fishing & Hunting, 9.9%
Manufacturing, 7.5%
Transportation, Warehousing & Utilities, 8.6%
Construction, 5.6%
Services and Other, 27.0%

Source: Statistics Canada

**Significance of the Measure**

This measure is of interest internally, to the Ministry of Finance and to Government, as well as externally. A well-diversified economy is less susceptible to sector-specific shocks and generally in a much better position to continue on a positive growth track.

In 2007, Mining and Oil and Gas Extraction is the largest goods-producing sector in the province, accounting for 14.4 per cent of the total economy. Services and Other (27.0 per cent) made up the largest share of the Saskatchewan economy, followed by Finance, Insurance, and Real Estate at 15.0 per cent.

| Measure | Baseline / Trend Line Information |
|---|---|

**Income and sales taxes paid by representative taxpayers**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Single parent family earning $25,000 | $862 | $691 | $619 | $560 | $515 | $466 | $382 | $176 | $20 |
| One-income family earning $50,000 | $5,446 | $4,486 | $4,284 | $4,005 | $4,007 | $4,124 | $4,001 | $3,679 | $2,207 |
| Two-income family earning $75,000 | $7,417 | $6,983 | $6,721 | $6,390 | $6,432 | $6,656 | $6,516 | $6,096 | $4,710 |

Source: Ministry of Finance, Tax Simulation Models
For more information on calculations, see pages 9-11 of the Ministry of Finance 2007-08 Annual Report.

**Significance of the Measure**
Saskatchewan's tax levels for representative taxpayers provide an indication of the amount of after-tax or disposable income available to residents. Declining tax levels are therefore suggestive of improvements in the relative prosperity of residents. In 2008, income taxes for each of the representative profiles declined as a result of the significant personal income tax cut introduced by the Government in October 2008, retroactive for the 2008 tax year.

**Interprovincial tax comparisons for selected average family profiles**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Single parent family earning $25,000 | 5th | 5th | 4th | 4th | 3rd | 3rd | 3rd | 3rd | 2nd |
| One-income family earning $50,000 | 5th | 4th | 4th | 4th | 4th | 4th | 4th | 3rd | 2nd |
| Two-income family earning $75,000 | 4th | 4th | 4th | 4th | 4th | 4th | 4th | 4th | 3rd |

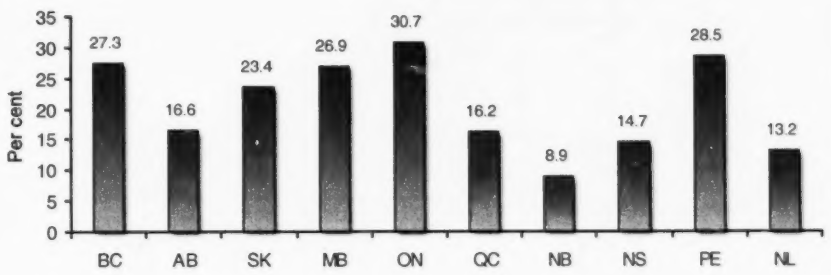
Source: Ministry of Finance, Tax Simulation Models
For more information on calculations, see pages 9-11 of the Ministry of Finance 2007-08 Annual Report.

**Significance of the Measure**
Saskatchewan's interprovincial ranking with respect to the tax levels of representative taxpayers is indicative of the competitiveness of our tax system. This measure can be significantly impacted by tax changes initiated in Saskatchewan and by tax changes occurring in other provinces. Saskatchewan's tax competitiveness relative to other provinces improved in 2008 for all family profiles due to the significant personal income tax cut introduced by the Government in October 2008, retroactive for the 2008 tax year.

| Measure | Baseline / Trend Line Information |
|---|---|

*The following is a grouping of MInistry specific measures.*

**Interprovincial Comparison of Marginal Effective Tax Rates (METRs) on New Business Investment**



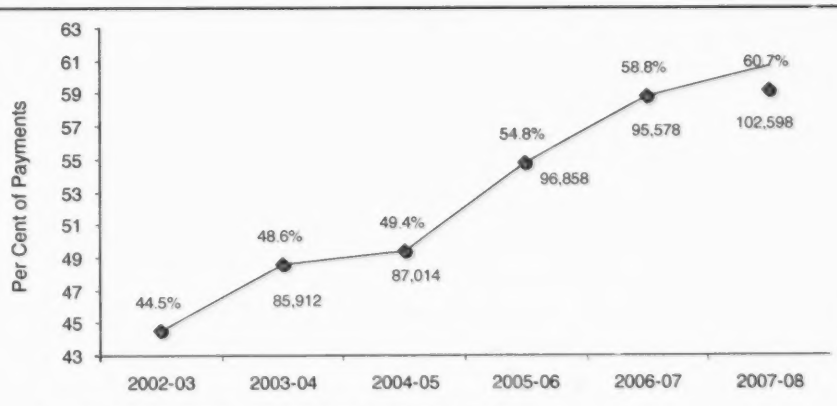

Source: Finance Canada, 2008 Federal Budget

**Significance of the Measure**

METR analysis provides a way of measuring the relative effect of business taxes on capital investment attractiveness between jurisdictions. METRs incorporate all of the various taxes that become payable as a result of incremental capital investment, including corporate capital and income taxes and sales taxes on capital acquisitions.

At 23.4 per cent, Saskatchewan's METR currently ranks second best of all provinces west of Quebec; the result of the implementation of business tax reductions by Saskatchewan and the federal government. This compares to Saskatchewan's METR of 38.9 per cent in 2005, when Saskatchewan ranked last in the country.

**Percentage of tax payments processed electronically**



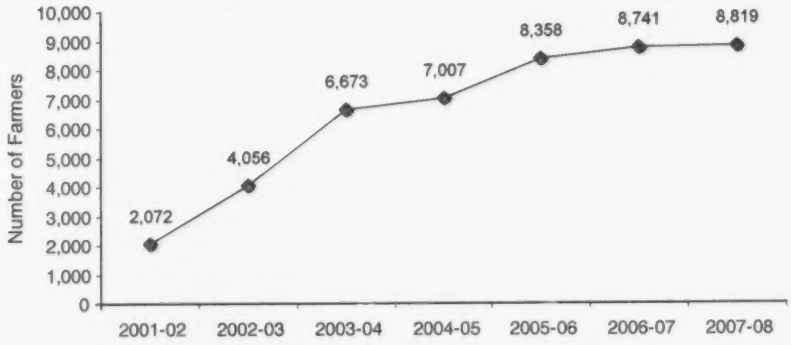

Source: Ministry of Finance, Revenue Division, Statistical Reports

**Significance of the Measure**

The Ministry uses the percentage of tax payments processed electronically as a measure of performance in meeting its objective of streamlining regulatory compliance. Businesses that use electronic methods to make payments are able to save time and money on regulatory compliance and channel their resources to other business activities. The measure is determined from statistical reports generated from the main revenue system

| Measure | Baseline / Trend Line Information |
|---|---|

**Number of farmers that applied for fuel tax permit renewals on-line**




Source: Ministry of Finance, SETS

**Significance of the Measure**

Saskatchewan Electronic Tax Services (SETS) was enhanced in February 2002 to offer farmers, commercial fishers, loggers, and trappers a secure, fast, and convenient alternative to filing their Fuel Tax exemption permit renewal in paper format. Ongoing enhancements to SETS are part of continuing efforts by the Ministry to reduce regulatory burden and meet our goal of providing excellent service to our clients. The number of farmers that filed permit renewals on-line measures the Ministry's performance in meeting the objective of ease of tax compliance.

**Provincial Auditor's assessment of government's accountability systems**

| Fiscal Year | Satisfaction with processes and/or guidelines | Assessment of plans and reports | Provincial Auditor's Report |
|---|---|---|---|
| 2007-08 | Partially | N/A | 2008 Vol. 3, Ch. 20 |
| 2006-07 | Partially | N/A | 2007 Vol. 3, Ch. 9 |
| 2005-06 | Partially | Positive | 2006 Vol. 3, Ch. 14 |
| 2004-05 | Yes | Positive | 2005 Vol. 3, Ch.9 & 11 |
| 2003-04 | Yes | Positive | 2004 Vol. 3, Ch.15 |
| 2002-03 | Yes | Positive | 2003 Vol. 3, Ch. 13 |

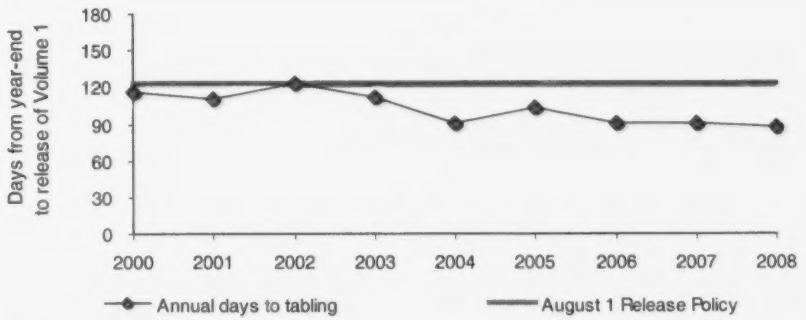
Source: Provincial Auditor's Reports

**Significance of the Measure**

This measure relates to the Government's overall system of accountability and the quality of Ministry plans and annual reports as assessed by an independent third party, the Provincial Auditor. The auditor's assessment is significant to the Ministry of Finance, because the Ministry leads the implementation of a renewed approach to accountability and guides Ministries in the development of strategic plans for budget development, public plans, and annual reports.

| Measure | Baseline / Trend Line Information |
|---|---|

**Timeliness of the Release of Public Accounts, Volume 1**




Source: Saskatchewan Public Accounts

**Significance of the Measure**

Timeliness of financial statements contributes to government's accountability. Under *The Financial Administration Act, 1993*, the Public Accounts must be tabled on or before October 31st. In 2000, the government established a policy of tabling Volume 1 of the Public Accounts on or before August 1st.

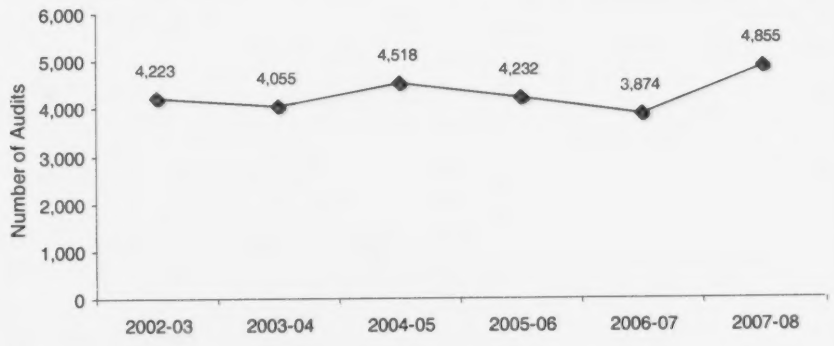
**Percentage of Entities Meeting Tabling Deadline**

| Year | Percentage of Entities Meeting Tabling Deadline |
|---|---|
| 2008-09 | 77% |
| 2007-08 | 76% |
| 2006-07 | 84% |
| 2005-06 | 84% |
| 2004-05 | 81% |

Source: Legislative Assembly of Saskatchewan website

**Significance of the Measure**

The Ministry monitors entities' compliance with tabling deadlines for their financial statements. Pursuant to *The Tabling of Documents Act, 1991*, entitles are required to table their statements within 120 days of their year end. On behalf of Treasury Board, the Ministry provides approval in advance of the tabling of financial statements. Approval of financial statements by the Ministry contributes to timely, reliable and relevant financial reporting by Treasury Board Crowns and agencies.

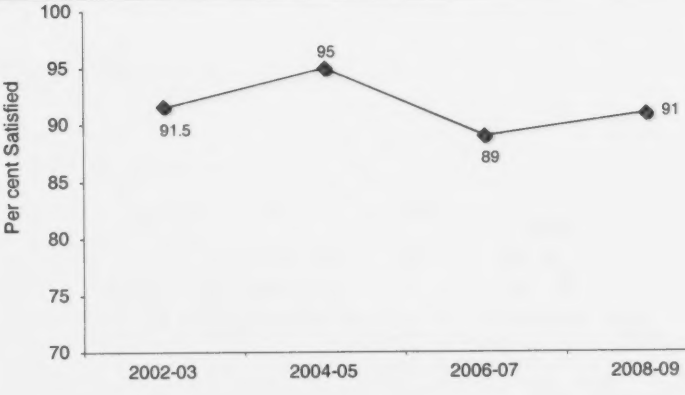
| Measure | Baseline / Trend Line Information |
|---|---|
| **Number of audits conducted on businesses liable for taxes under the statutes administered by Finance** |  |



Source: Ministry of Finance, Revenue Division, Time Control Tracking System

**Significance of the Measure**

Finance administers several provincial government revenue and tax rebate programs. This work involves identifying and collecting tax revenues, conducting audits, issuing tax refunds, and providing information related to tax and rebate programs. The number of audits performed in 2007-08 was up from the previous year. This was due to a significant number of small audits associated with refund claims relating to the used vehicle exemption that was announced in November 2007.

| | |
|---|---|
| **Client Satisfaction (of businesses which collect taxes on behalf of government)** |  |



Source: Ministry of Finance

**Significance of the Measure**

In 2002-03, the Ministry committed to conducting bi-annual client satisfaction surveys of businesses collecting taxes on behalf of government. This measures whether these clients are satisfied with the ministry's quality of service and timeliness of responses, refunds, and adjustments. This allows businesses to evaluate the Ministry's performance and helps the ministry determine how its timeliness of responses, refunds, and adjustments may be improved.

# Financial Summary

## Highlights of Appropriation and Expense 2009-10

| | |
|---|---|
| Central Management and Services | 7,619 |
| Provincial Comptroller | 9,369 |
| Treasury and Debt Management | 2,909 |
| Revenue | 20,048 |
| Budget Analysis | 5,441 |
| Personnel Policy Secretariat | 774 |
| Miscellaneous Payments | 135 |
| Research and Development Tax Credit | 18,000[1] |
| **Ministry Operations Appropriation** | **64,295** |
| Capital Asset Acquisitions | 280 |
| Capital Asset Amortization | 966 |
| **Ministry Expense** | **64,981** |
| Public Service Pensions and Benefits | 264,411 |
| **Total Appropriation** | **328,706** |

| | |
|---|---|
| Ministry FTE | 334.00 |
| Revolving Fund FTE (Public Employees Benefits Agency) | 111.5 |
| FTE Staff Complement | 445.5 |

[1] For 2008-09, the research and development tax credit (estimated at $12 million) was provided as a non-refundable tax credit and therefore, was accounted for as a reduction of corporate income tax revenue.

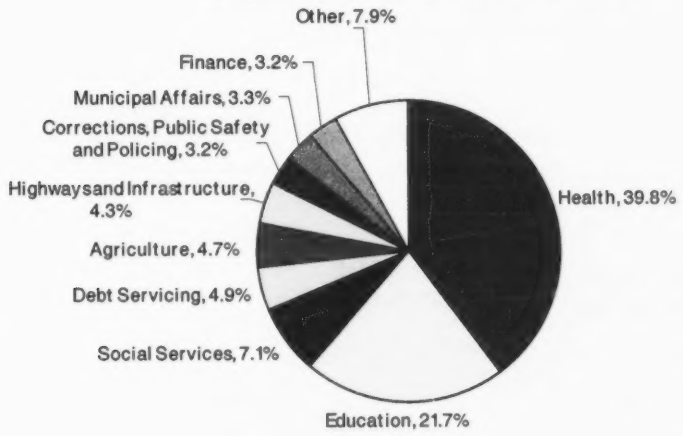
For more information, see the Budget Estimates at:
http://www.finance.gov.sk.ca/budget/2009-10

# BUDGET HIGHLIGHTS

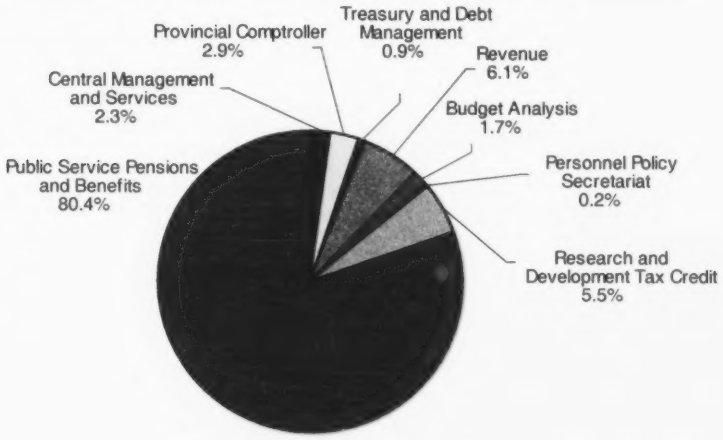
The following are key announcements being made in the 2009-10 Budget:

- Budget 2009-10 provides $1 billion in capital funding, building on the $1 billion Ready for Growth infrastructure program announced with Budget 2008-09 and the $500 million accelerated infrastructure boost announced in February – for a total commitment of $2.5 billion since Budget 2008-09 to ensure Saskatchewan has the roads, hospitals, schools and other infrastructure in place to ensure a strong economy. For more information refer to the "2009-10 Capital Program of $1 Billion" Background Paper.
- Government general debt is forecast to decrease to $4.2 billion, a reduction of more than $2.6 billion or almost 40 per cent during 2008-09, and remain at that level in 2009-10. For more information see the "Borrowing and Debt" section of the 2009-10 Budget Summary.
- In the Fall of 2008, the Government announced the largest single-year income tax reduction in Saskatchewan history ($334 million in tax savings for Saskatchewan people in 2008-09, and $300 million in tax savings annually). For more information see the news release "Saskatchewan's Finances Remain Strong and Debt Reduction is on Track," November 12, 2008.
- The Government is converting the existing non-refundable R&D Tax Credit to a 15 per cent refundable tax credit, which will provide an additional $6 million per year in provincial support to small and medium sized R&D companies and will help to bridge the gap that exists between the research stage and commercial development. Total cost of the credit is $18 million annually. For more information see of the "Revenue Initiatives" section of the 2009-10 Budget Summary.

**Composition of 2009-10 GRF Expense**



**Composition of 2009-10 Ministry of Finance Spending by subvote**


Treasury and Debt Management 0.9%
Provincial Comptroller 2.9%
Revenue 6.1%
Central Management and Services 2.3%
Budget Analysis 1.7%
Public Service Pensions and Benefits 80.4%
Personnel Policy Secretariat 0.2%
Research and Development Tax Credit 5.5%

Finance Total Appropriation 2009-10:
$328.7 million

## For More Information

Please visit the Ministry's website at www.finance.gov.sk.ca for more information on the Ministry's programs and services, or call (306) 787-6623.